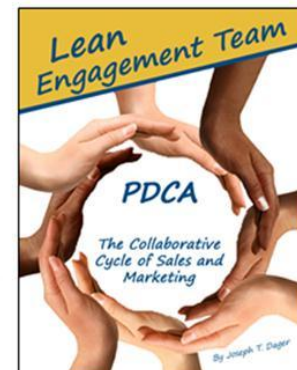
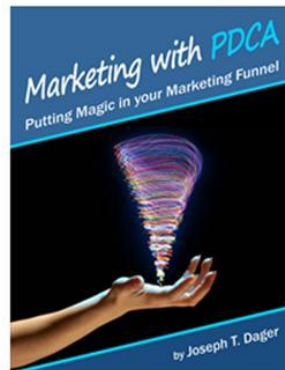
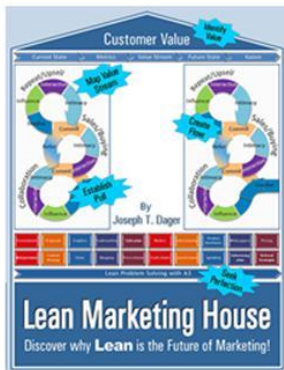




Sample Chapters

from the Marketing with Lean Series



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Lean Marketing House Overview

The "TPS house" diagram has become one of the most recognized symbols in modern manufacturing. A house was used because it is strong only if the roof, pillars, and foundations are strong. A weak link weakens the whole system. I took the liberty of rebuilding the Toyota Lean house to what I believe is the proper structure for today's marketing.

When building a house, you follow the same steps and principles as when building a Lean organization. The first step in building the structure is to create a strong foundation. Many organizations look at marketing from just a tactical sense and start the foundation first with the campaigns, websites, and advertising. However, to build a strong house you need to know what you are supporting to make a strong enough foundation. Understanding the value that you create for the customer is the starting point in the Lean Marketing House and will determine the rest of the structure.

Below the roof of the house lays the substructure of a five-step Lean process. Lean is a system focused on and driven by customers. Optimizing the value stream from their eyes and in an efficient process takes your processes to a level not experienced before. Review your past sales and processes that are performing well. Determine why and what may be different about them. It really is like starting on a journey without knowing where you are at. Your metrics play such an important part. How are you going to measure success? What in the short term will allow you to survive and in the long term will build a business? Measuring simply by results is just not enough in today's world. Using Lean metrics measured by drivers is at the heart of making your plan effective. Mapping the future state is



where we start seeing it all come together. This is the step everyone typically wants to jump to immediately. We make plans and instead of having a sound basis, we use instincts and tools that are not directed and are often based on what I call "Tribal Knowledge." Kaizen is the Japanese word for continuous improvement. It is all about idea submission, not acceptance. Kaizen has three steps. First, create a standard. Second, follow it. Third, find a better way.

We will support this substructure with the pillars or the value stream of the Lean Marketing House. Each pillar represents a product (service)/market segment. It does not matter how many pillars you have, just that each product/market segment is well defined. Seldom does even the smallest company have only one pillar or value stream.

The Lean House's foundation that the pillars stand on is the work we do each day and is what insures the customer value proposition is implemented. In accordance with Lean House philosophy, it doesn't necessarily matter which tools the organizations uses, but which tools are effective with the customer or the particular value stream segment, represented by the pillars. The number of blocks and the depth will differ with each organization but what is important is that they are all considered and that the foundation is strong enough to support the pillars. Below the foundation is a substructure of A3 problem solving that will be the control practice that is implemented throughout the foundation. This allows us constant feedback and will heighten our awareness that a weakness of measurement is what will allow the foundation to start crumbling.



When we first hear the terms Lean and value stream, most of our minds think about manufacturing processes and waste. Putting the word marketing behind both of them is hardly creative or effective. Whether marketing meets Lean under this name or another, it will be very close to the Lean methodologies developed in software primarily under the Agile connotation.

This book is about bridging that gap. It may not bring all the pieces into place, but it is a starting point for creating true iterative marketing cycles based not only on Lean principles but more importantly on customer value. It scares many. It is not about being in a cozy facility or going to Gemba on the factory floor. It is about starting with collaboration with your customer, not ending there. It is about creating sales teams that are made up of different departments, not other sales people. It is about using PDCA (Plan-Do-Check-Act) throughout the marketing cycle with constant feedback from customers that can only occur if they are part of the process. It is about creating value in your marketing that a customer needs to enable him to make a better decision. It is about managing a value stream marketing process.

We use the Lean Marketing House as a way of introducing Lean. In [Lean Thinking: Banish Waste and Create Wealth in Your Corporation, Revised and Updated](#) by Womack and Jones, the authors introduced five core concepts:

1. Specify value from the standpoint of the end customer by product family.
2. Identify all the steps in the value stream for each product family, eliminating whenever possible those steps that do not create value.
3. Make the value-creating steps occur in tight sequence so the product will flow smoothly toward the customer.



4. As flow is introduced, let customers pull value from the next upstream activity.
5. As value is specified, value streams are identified, wasted steps are removed, and flow and pull are introduced, begin the process again and continue it until a state of perfection is reached in which perfect value is created with no waste.

These five values are represented in the Lean Marketing House as

1. Identify Value (Roof)
2. Map Value Stream (Ceiling)
3. Create Flow (Value Stream – Pillars)
4. Establish Pull (Foundation)
5. Seek Perfection (Base)

It's a different concept that I believe is imperative to the future of marketing. Think of the touch points you have with a customer. Is each one of them creating value? When your customer moves from one stage to the next, is the move value-driven? In the truest form of the meaning, a Lean Marketing company should only have two components: an introduction to a new lead and the acceptance of an order. All other components would be considered wasteful and are candidates for elimination. If you consider each item that you deliver to a customer something of value that he is paying for, in essence he accepts an order each and every time. Do you create valuable enough content that your customer would pay for it?

Marketing has to address value and the content they are distributing. As important, they have to address the time or the stream of their marketing system. The acceleration or throughput is extremely important. Creating systems within our process that are efficient and propels customers through



value stream is imperative. Our days of leaving non-responsive customers on our mailing list, online or offline, are ending. Creating advertising to the masses and expecting a reasonable return have already ended for small and maybe even medium size businesses. These statements are not meant to say that we only market to someone for 90 or 120 days and that's it. It is more inline that we have to create interactive platforms that allow our customers to interact at their leisure, their timing, and at their discretion. A good description of pull marketing, but how do you manage a stream?

You must understand your value stream well enough to have a throttle. You must know where your constraint is, maybe even on a seasonal basis. You must address indicators that are built into your process and not built into month-end reports. Do you have a monitoring system that lets you know? Do you adjust your marketing message accordingly? Are you improving your stream with better information to qualify yourself to the customer? If you are providing a higher value of information to the customer, does that propel you through their decision making process?

Most people think about the marketing process as a function of lead generation and follow-up. They envision the marketing funnel which creates an excellent visual image of collecting prospects and narrowing the field till you produce a customer at the bottom. This image is oftentimes a fair reflection of your marketing budget. You spend most of your money reaching out to the masses. It is an expensive proposition and seldom produces measurable results. However, you can't just cap the funnel because you never know where you will receive your next lead or sale.

The job of marketing is to increase prospects, create better odds in obtaining a customer, and increase the number of customers and the dollars per customer. I believe marketing is also responsible for decreasing the dollars



in obtaining a customer. I think these five parts can be best served through Lean and more specifically using a value stream approach.

This is going to require re-thinking about the way you do business and the way you think about your markets. More importantly, the way you think about value. Value in terms of how your market defines it. Stop thinking about product or even product benefits. Your marketing systems must support the delivery of value to your customer at a much higher rate than your competitor's. Targeting that value proposition through the methods described in this book will increase your ability to deliver quicker and more accurately than your competitor. It is a moving target and the principles of Lean and PDCA facilitate the journey to customer value.



Future of Marketing

Lean marketing is about installing a continuous improvement methodology to your sales and marketing process. It's about constantly improving every step up the way. In the smaller scheme of things it is about improving a launch, an advertising campaign and even a sales call. However, in the bigger scheme of things it is about building a structure that creates a learning organization based on an ever-increasing knowledge of what the customer values.

The Lean practice of PDCA is ideal for learning and creating knowledge activities. Following this process it allows individuals and teams to recognize and take advantage of opportunities, make decisions faster, and be more responsive to customers. As part of the PDCA cycle you get feedback on the action from listening to customers and the companies' measurement systems. Having information, taking informed action and getting feedback is part of the natural PDCA cycle. And effectiveness comes from using and taking advantage of all your resources.

Why Change?

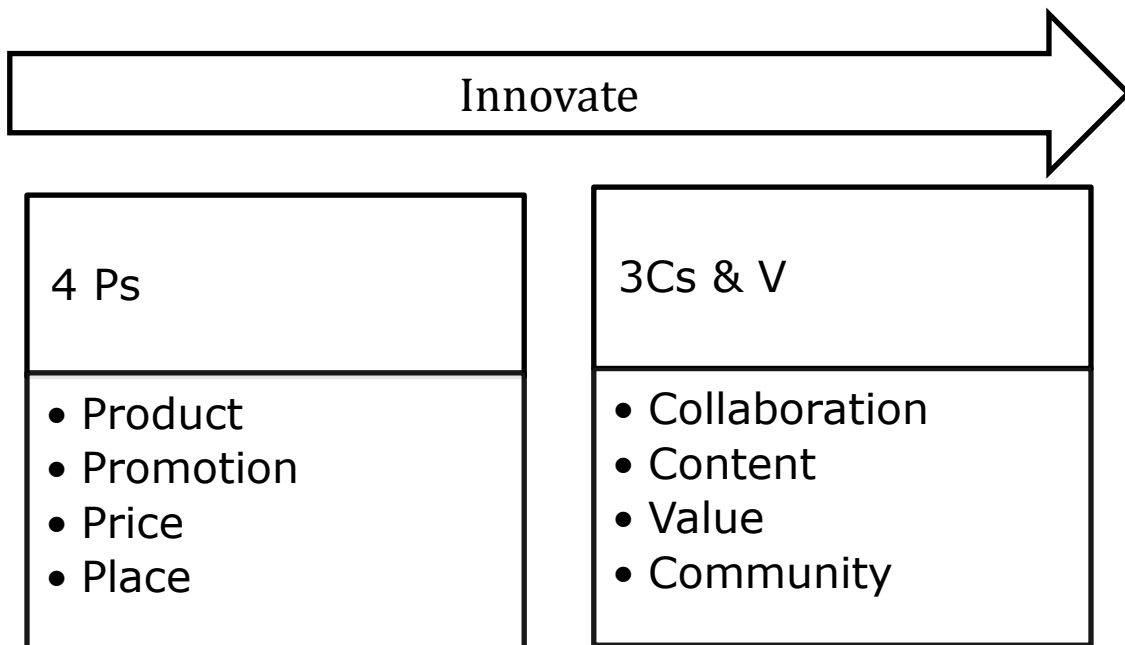
The sales and marketing structure has drastically changed. The typical structure still used by many is from a time when competition was not as great and technology was not the force that it is today. In today's business setting many companies are fighting for survival. Competition has never been so keen and the elements of the past are simply not working.

Companies have found that they must listen at a higher level than ever



before to their customers, focus on improving processes, and use teams. Companies have to build a culture that supports agility, relevancy and speed. To accomplish this there has to become an open sharing of information that will accelerate creativity and innovation. Value has to be understood: it is delivered at the point of consumption, not when it leaves your hands.

The new wave of marketing has seen an entirely new set of tools being used with the components of social media leading the way. No longer do we trust print media, radio, television and other forms of traditional media. The tools have all become a commodity. Why? What has happened is that we have innovated into today's nomenclature. Not really changing much except for the tools.



And have we changed the tools! You have to be a marketing technologist to deal with all the components of marketing. You have to be a geek. The other



odd thing is that the geeks are telling us about marketing, telling us about content strategy, buzz, and value.

Value chain is a powerful concept from business management that was first described and popularized by [Michael Porter](#) in his 1985 best-seller, *Competitive Advantage*. The chain of activities gives the products more added value than the sum of the independent activities' values.



From Wikipedia: "The **value chain**, also known as the **value chain analysis**, is a concept from business management that was first

described and popularized by [Michael Porter](#) in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*. The value chain categorizes the generic [value](#)-adding activities of an organization.

The "primary activities" include: inbound logistics, operations (production), outbound logistics, marketing and sales (demand), and services (maintenance).

The "support activities" include: administrative infrastructure management, human resource management, technology (R&D), and procurement. The costs and value drivers are identified for each value activity.



But that was in a supply-driven economy where the customer did not ignore these value-added services. A lot of people have focused on the fact that the economic times right now are really bad. What a lot of people are missing is the fact that the world around us has fundamentally changed.

Carol Ptak told me in a podcast: "So what companies are seeing today is volatility like they never had to manage before and at the same time they no longer have the reliability of understanding what the customers are going to demand and when they're going to demand, because customers are increasingly fickle. So what we've got is the perfect storm that has come together of excess capacity and incredible product variety. Think about a new product lifecycles. They're getting shorter and shorter and shorter. The world we're trying to live in and started about four or five years ago is that we can no longer afford to build unless someone's going to buy."

I have to agree with Carol, fundamentally the world has changed and if you are going to wait for the shift back, you are in trouble. We could call this a pull market. No longer can we build and build and force our product on others without serious consequences such as price slashing. However, in the long term if our markets have changed and more specifically our delivery methods have changed, we must change.

So marketing is getting squeezed. In one case the supply chain as we know it is gone. Marketing is becoming more and more about tools. The pressure is on and to catch up many of us rely way too much on the tools!

Perfect Storm

If you are to face the perfect storm, your thrust has to be very precise and with as much strength as you can muster. Just riding it out seldom works!



What we see now across the world is that we have excess capacity. Add to that the Internet where we expect to have an experience like Amazon. Order it, and you are instantly told when you're going to get it. You also surf the web or even offline at stores to get the price you want to pay and in the time frame you want to pay and if not you just go someplace else. Why can you do that? That's because all this excess capacity is out there.

So how do you survive the perfect storm? Do you sail right into it? The problem you have is that there is not a mental model for this. You do not have a map. You cannot process all the data that is arriving, let alone organize it. If everything or on the other hand too little is considered, you will not come up with an adequate model.

The reality is that our marketing has to become very precise. That reality is that you have to be crystal clear on what your customer and your market value! There is quite a bit of understanding that goes into building a customer/market value model. Obtaining the voice of customer/market is part of it but so is customer/market identification. Your perception alone is biased; you are not the one buying your product. Your judgment must come into play in interpreting the right data from the right market, not in deciding what your market is thinking. Having a true understanding of what is important about your product or service to the marketplace is the strongest survival tool you can have.

The noticeable feature that is evident in the review of Porter's value chain is that Lean has been applied in every discipline/activity except for sales and marketing. With the development and extension of Lean into software development, most noticeably Agile, it has given sales and marketing a foundation to build from. The Agile methodology allows taking the



fundamental Lean concepts of flow and value stream mapping and makes them usable in a sales and marketing environment.

The Lean/Agile model builds a bridge for better communication and collaboration between sales and marketing. More importantly, it provides the platform for the development of the sales team that is at the essence of future activity in the demand chain. I discussed this concept in a recent post on value stream mapping your sales team. Future sales and marketing activities will be in the spirit of team collaboration with the customer being the most important member. Instead of the buzz words of social media there will be a new set of buzz words such as co-creation and swarming. Most organizations try to develop marketing plans designed to guide their action for today, tomorrow and in the future. This serves as a platform for their marketing goals. We might even send the goals through the SMART procedure to make sure that they are specific, measurable, achievable, realistic and time-specific.

The problem is that this is mostly internally focused. Sales and marketing needs to be about the customer, it's not about us. The old saying, defining the problem correctly is half the battle, has never been more accurate. Defining the problem you solve does takes quite a bit of effort (it needs to be done by product (service)/markets). And if the essence of marketing is defining the problem for a customer, building a problem solving culture is at the essence of good marketing.

The better you can articulate their position, the more value you provide to the market place you are serving. The definition of the problem may even be more important than the solution. In fact, you have to be willing to move your solution to pave the path. **Their description of the problem is**



exactly what customers want. Countless hours are spent on branding, messaging and every other marketing tactic under the sun, but do we ever articulate the problem our customers and prospects are having - perfectly?

For the marketing people, a Lean presentation was a good time to sit back and relax because its application has absolutely no applicability to them. They're probably right; marketing people are creative, right brained thinkers with a tendency to think they are the only ones to look at the big picture. Sure they understand metrics and what is working in the marketplace, but life would be better if everyone followed the plan while they ventured off on cutting-edge activities. After all, they have to be the part of the organization out on the horizon.

The sales people on the other hand are looking for reasons to exit right away. They conjure up opportunities or pending disasters to get out of these discussions. If someone is going to lead a conversation about waste and metrics they certainly want little part of that. First of all, nobody knows what they have to do to get a job so who is going to tell them what waste is and what it is not, or even come close to understanding. Secondly, every time anyone gets in these types of conversations they want to turn sales into a data collection arm and leave them performing in-person surveys that neither the customer nor the salesperson wants to be doing.

Deming always discussed the abundance of resources that we had. How true Deming was when you apply his thoughts to sales and marketing. Our natural resource was that demand always exceeded supply. Sure, it was not handed to us on a silver platter and not all of us were successful. But for the most part, there was a demand. That demand has diminished or ceased to exist in many markets. We are competing in a state where there is excess



supply. There is a scarcity of sales and marketing's natural resource, customers!

How many companies are still giving pep talks? How many companies still do not understand sales and marketing as a stable system? You can tamper and cause special cause variation, but the bottom line is that sales and marketing has changed and that it must be managed as a system in the future.

Most serious practitioners that understand sales and marketing as a process have begun to emphasize three core principles in their teachings:

- Continuous improvement of sales and marketing is a necessity
- Metrics are required to judge the rate and degree of improvement
- A sales and marketing process is needed for determining metrics

Profound Knowledge

I believe Dr. Deming's system of profound knowledge offers the best way for sales and marketing to succeed in the future. There are many marketing "systems" in the world. When you think about a system it is just a series of functions or activities within an organization that work together for the aim or the organization. However, most of them have relatively little value towards improvement or optimization as a whole. Deming believes that the journey of continuous improvement requires the understanding of systems which is emphasized in his own system of Profound Knowledge. Profound Knowledge is made up of four interrelated components:

1. Appreciation of a system
2. Theory of knowledge



3. The psychology of change
4. Knowledge about variation

Deming explained, "One need not be eminent in any part nor in all four parts in order to understand it and to apply it. Some key points of profound knowledge are described below:

"The various segments of the system of profound knowledge proposed here cannot be separated. They interact with each other. Thus, knowledge of psychology is incomplete without knowledge of variation.

"A manager of people needs to understand that all people are different. This is not ranking people. He needs to understand that the performance of anyone is governed largely by the system that he works in, the responsibility of management. A psychologist that possesses even a crude understanding of variation as will be learned in the experiment with the Red Beads could no longer participate in refinement of a plan for ranking people."

The *Appreciation of a system* involves understanding how interactions (i.e., feedback) between the elements of a system can result in internal restrictions that force the system to behave as a single organism that automatically seeks a steady state. It is this steady state that determines the output of the system, rather than the individual elements. Thus it is the structure of the organization, rather than the employees alone, which holds the key to improving the quality of output.

The *Knowledge of variation* involves understanding that everything measured consists of both "normal" variation due to the flexibility of the



system and of "special causes" that create defects. Quality involves recognizing the difference to eliminate "special causes" while controlling normal variation. Deming taught that making changes in response to "normal" variation would only make the system perform worse. Understanding variation includes the mathematical certainty that variation will normally occur within six standard deviations of the mean.

Online collaboration is leading the way for Lean Marketing

Businesses and individuals are becoming exponentially more productive and efficient thanks to the innovations that connect them. Between email, Skype, and telecommuting, the landscape of business communication and collaboration is vastly different than it was even a few years ago. We will see just how many of these technologies are helping businesses today, and how quickly people are now able to collaborate and innovate together.

Our organizational structures are getting flatter every day. Technology is not making us less personal, we are getting more personal through technology. We buy less from companies every day and more from people.

Technology actually has evolved to a point that it is becoming anti-technology. The new business models are about communities and organizations must understand what makes them tick. In the book [The Hyper-Social Organization: Eclipse Your Competition by Leveraging Social Media](#), the authors discuss the 4 pillars of Hyper-Sociality:

1. Tribe vs. market segment
2. Human-centricity vs. company centricity
3. Network vs. channel
4. Social messiness vs. process and hierarchy



The funny thing about all of this is that there will also be a rapid increase in exceptions, more of the anti-technology stuff and more people interactions. This change has invaded both customer service and marketing. Traditional print media, PR and advertising are gradually fading out. Even referrals have shifted from word of mouth to more of a tribal type relationship. If your organization is not already part of the tribe, you are overlooked.

Just having a great product is not enough. Sure Apple looks like they are banging out innovation after innovation. But are they? Or is it more of the Apple tribe that devours each new innovation with Steve Jobs as the head of the kingdom?

The next facet of business to change will likely be innovation, if it has not already. Co-creation is upon us and as our tools get better there will be more and more interactivity with our customers. Those exceptions that many of us dread will even become more normal and part of everyday innovation.

Sounds like a lot of fun! Learning to market and innovate through iterative cycles is what Lean marketing is about. Using Lean on a project-to-project basis to reduce waste and make marketing and innovation more efficient is hardly effective. Empowering our people for a more human approach within the tribes we choose to network or participate in is the differentiation Lean provides. Lean provides the structure we need to provide value to this social messiness. Without, we lose our relevance and speed that is needed in the collaborative world that we are entering. I look forward to the great journey ahead.



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